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SOVIET MILG AND WESTERN SUPPORT FOR
ECONOMIC DEVELOPMENT IN SYRIA

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30 April 1957

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SUMMARY

Until 1955, Syrian economic relations with the Sino-Soviet Bloc had been extremely limited. The Bloc accounted for less than 3 percent of Syria's total trade, and only Czechoslovakia had any official contact with the Syrian Government. Toward the close of 1954, the Bloc undertook a more active economic policy in an attempt to expand economic relations with Syria. With the aid of elaborate pavilions and strategically designed propaganda the Bloc countries dominated the first two international fairs held in Damascus during September 1954 and 1955. Nine Bloc countries participated in the Third Damascus International Fair in September 1956, and conducted aggressive advertising campaigns in local newspapers. In the meantime, numerous Bloc commercial, scientific, and technical delegations toured Syria, signing trade agreements and presenting indiscriminate offers of economic assistance. A number of commercial offices were opened in Damascus and intensive advertising campaigns were undertaken by the Bloc. The Communist Chinese Government was recognized by Syria and East Germany was granted permission to establish a consulate in Damascus.

By the end of 1956, Syria had signed nine trade agreements with the Bloc--more than any other underdeveloped free-world country. During the marketing season in mid-1956, intensive activity by the Bloc in the Syrian cotton market raised the price of cotton to a level sufficient to price France--the major importer of Syrian cotton--out of the market. By the

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end of January 1957, the Bloc had contracted for approximately 50 percent of Syria's exportable cotton. To relieve a fuel shortage resulting from its sabotage of the Iraq Petroleum Company pipelines, Syria purchased a large proportion of its petroleum requirements from the USSR.

To date several Bloc countries have been awarded construction contracts in Syria valued at a minimum of \$28 million and have placed bids totalling \$10 million on other projects. Czechoslovakia has been awarded a contract to construct a major petroleum refinery in Syria. The most significant agreement between Syria and the Bloc has been the purchase by Syria of Bloc arms valued at approximately \$70 million, thus forcing Syria to commit an important part of future barley and cotton crops.

The effect of the Bloc's appearance as a champion of Syrian political and economic interests has been to further exacerbate Syrian relations with the West. As a result of the Algerian and Suez crises, Syrian economic relations with France and the United Kingdom are at a low ebb. These countries have been two of Syria's most important trading partners. In the past France, alone, took more than half of Syria's cotton exports.

The cost of military expenditures and the loss of important sources of foreign exchange have severely curtailed Syria's six-year development program. The program, designed to expand agricultural production and productivity, calls for an expenditure through 1961 of \$183 million for irrigation projects, roads, airports, drainage projects, port development,

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and an oil refinery. Two major undertakings, estimated to cost about \$255 million, were scheduled for initial surveys during 1957. A major source of funds for this program was to have been oil transit revenues from the Iraq Petroleum Company. The International Bank for Reconstruction and Development had outlined a six-year program which would cost about \$270 million, but most of the projects recommended were much smaller than those contemplated by the Syrian Government.

Although the major share of the cost of Syrian economic development must be financed from internal sources, a sizeable amount of foreign investment will be needed if the program is to assume significant proportions. As nationalist fervor has pushed Syria increasingly toward the left, however, foreign private capital has become unwilling to expand investments in Syria. The Bloc, despite numerous general offers to provide whatever economic assistance Syria requires, does not appear willing to become an alternative source of investment funds on a large scale, although it may be willing to undertake smaller, individual projects.

The combination of rampant nationalism, the loss of a significant amount of oil transit revenues, the arms agreement with the Bloc and the estrangement with major Western trading partners has served to push Syria into closer politico-economic relations with the Bloc and has created serious economic problems for Syria which, as a minimum, will require postponement of Syria's program for economic development.

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I. General Economic Problems

A. Introduction

The majority of the projects necessary for improving economic welfare in most of the underdeveloped countries are of such magnitude as to require sizeable investments from external sources. Consequently the political climate in which economic development takes place has become a primary consideration affecting the economic development of these countries. In many areas of the world nationalism and antagonism based on anti-colonial feelings have created conditions which seriously affect the availability of direct, large scale, private investment. As foreign private investors have become reluctant to supply the capital requirements of underdeveloped countries, and as western governments have been slow to fill the investment gap, the Soviet bloc has been presented with an excellent opportunity to play an increasing role in the economic progress of many free world areas.

In Syria, the problem has been magnified to an extent that in many instances political considerations have become the almost exclusive determinants of economic decisions. Nationalism, antagonism toward the West (arising particularly out of the Arab-Israeli conflict) and a general fear of the resurgence of Western colonial domination have considerably increased Syria's political and economic vulnerability to the blandishments of the Soviet Bloc.

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B. Agriculture

Syria is primarily an agricultural country. Cotton, wheat and barley are Syria's major crops and the major commodity sources of foreign exchange. Approximately 70 percent of the people derive their living directly from agriculture and a considerable portion of the rest earn their incomes by handling or processing agricultural commodities. 1/ As a result, a program aimed at improving the living standards in Syria must emphasize investment which would increase agricultural productivity. There is still a large quantity of untilled land available in Syria but the lack of water seriously limits its utilization. The total arable land is estimated at 5.5 million hectares*, of which about 3.5 million is under cultivation. Irrigated land accounts for only about 10 percent of the land under cultivation and periodic droughts tend to make agricultural production extremely unstable. 2/ Due to a severe drought in 1955, the harvest of wheat and barley was approximately half the 1954 crop and almost all exports of wheat were prohibited. 3/

Syria is also faced with the problem of raising the relatively low productivity of its agriculture. The maximum yield of wheat on Syrian land is reported to be about 600 kilograms** per hectare whereas wheat-producing countries in Europe obtain yields of from 1 to 2 metric

* 1 hectare equals 2.471 acres.

** 1,000 kilograms equals 1 metric ton.

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tons per hectare. 4/ Notwithstanding differences in Syrian and European costs of production, the comparatively low yield is an important factor in the competitive position of Syria's agricultural commodities on the world market.

C. Transportation and Storage Facilities

The development of transportation facilities is one of Syria's most urgent needs. Transportation has not kept pace with the expansion of production and particularly with shifts in the geographic pattern of agricultural output. The Jezirah area, located in the northeastern part of Syria, produces most of Syria's wheat export surplus and a major portion of the country's barley and cotton crops. In spite of this, the area is poorly equipped with highways and railroads. The cost of transportation in this area has become extremely burdensome and rates are subject to sharp seasonal fluctuations due mainly to heavy traffic during the harvest season and virtual cessation of traffic during the winter months. During the harvest season the cost of transporting grain from the Jezirah region to Aleppo is about twice as much as during the "dead season." 5/ Transport charges represent about one-third of the f.o.b. export price of barley and about a fifth of that of wheat. 6/ The roads, most of which are unsurfaced, are inadequately maintained. The railways were constructed prior to 1945 and are no longer adequate for the needs of the expanding economy.

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X1 : The shortage of storage facilities in the crop-producing areas, in the commercial center of Aleppo and the port of Latakia is another obstacle which must be overcome before any sizeable expansion of agriculture can be undertaken. Inadequate storage facilities keep storage charges high and frequently force farmers to dump their products on the domestic market.

D. Electric Power

A major limitation to industrial expansion in Syria is the shortage of electric power. Out of a population of 3.8 million, not more than 1.5 million live in towns and villages supplied with electricity and only about half actually have facilities for its use. Many industrial establishments provide their own power facilities. Public utilities have great difficulty in meeting their peak requirements as no reserve capacity exists. Widely fluctuating load requirements, and the almost exclusive use of diesel units to produce power make for a high cost of power generation and seriously inhibit expansion of facilities.

E. Industry

Modern factory production in Syria is a relatively recent development. The bulk of Syrian industry has been developed since the end of World War II, but the earlier rapid rate of growth it experienced has begun to level off. Many industrial concerns which were developed

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as a result of wartime and postwar commodity shortages have been maintained by an exaggerated system of protection from foreign competition. This protection has dulled the incentive to increase efficiency, and has therefore retarded the expansion of domestic markets.

F. Finance

1. Lack of Indigenous Fund-Providing Institutions

Primary financial deterrents to economic development in Syria are the lack of indigenous sources of investment capital. For the most part, there are no savings banks, insurance companies, mortgage-financing institutions, or any of the other institutions which normally mobilize savings and invest in government or other high-grade bonds. The agricultural Bank provides only an insignificant amount of capital and the Central Bank, established on 1 August 1956, has not begun to function as a source of domestic capital.

The Syrian economy is served primarily by foreign banks. Of the 15 commercial banks accredited at the beginning of 1954, ten, including all the larger institutions, were foreign.* 7/ The French Banque de Syrie et du Liban (BSL), as the largest commercial bank and, until 1 August 1956, the bank of issue, dominates the banking system. These foreign commercial banks are engaged principally in short-term

* France 5; Jordan 2; Iraq, Britain and Egypt, 1 each.

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financing of foreign and domestic trade and offer little in terms of long-term investment funds. The BSL has, in the past, extended some investment loans to industry, but only after securing the guarantee of the Syrian Government.

The development of domestic capital faces the handicap of a low annual per capita income (approximately \$100) and the traditional hoarding of savings practiced by the wealthy class. Neither of these difficulties are likely to be overcome in any short-run program. Savings among the bulk of the population are practically nonexistent. The wealthy class converts its savings into gold. In 1954 the size of this accumulation was estimated at about \$140 million. 8/ The middle class saves a part of its income for extraordinary expenditures--weddings, illness, etc., retaining the funds at home and refusing to invest savings at the expense of liquidity. 9/

2. Domestic Credit

Until the recent creation of a central banking authority to control commercial credit, commercial banks generally had been free to determine their own credit policies. The volume of credit extended was usually based upon the expectations of the next harvest season. By the end of 1953, outstanding bank credit totalled approximately \$63 million. During 1954, bank

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credit expanded rapidly, rising to a level of about \$111 million. This rise was due mainly to the expectation of bumper crops. Credit expanded only slightly during 1955, reaching a total of about \$119 million. 10/ This relatively small increase over the previous year was the result of a contraction of credit in early 1955 because of a severe winter drought and poor harvest prospects. By the last quarter of 1955 credit began to expand again and by the first quarter of 1956 banking circles had regained their optimism and were expecting a record agricultural season. 11/

In addition to bank credit, farmers obtain credit in a number of other ways, of which the following are the most important:

1. Loans by the Agricultural Bank of Syria secured by land mortgages;
2. Credit purchases from merchants;
3. Future sales of growing crops at a price lower than that which might be obtained during the harvest. 12/

Until the establishment of the Central Bank, the Agricultural Bank was the only government banking institution. The bulk of the loans extended by the Agricultural Bank are short-term loans to farmers owning small or medium-sized farms. Long-term loans, which form a small part of total loans, are extended for land purchase and improvements

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and for the purchase of farm machinery. These loans are extended for a period generally ranging between 3 and 15 years. No one borrower may receive more than \$2100. 13/ The inability to obtain large loans from the Bank often compels large landowners to turn elsewhere to satisfy their capital requirements.

In 1955, the Bank granted short-term loans valued at \$7.3 million and long-term loans valued at \$0.9 million. In an attempt to increase the Bank's lending capacity, the government authorized in 1956, an increase in the Bank's capital from \$2.8 million to \$27.2 million. 14/

Since most Syrians use currency for the settlement of obligations, increased credit resulting from an expansion of economic activity has been accompanied by a similar increase in the quantity of currency issued. 15/ During the first quarter of 1954, the total volume of money in circulation was about \$154 million. By July 1955, after a period of general credit expansion, the total had increased to approximately \$180 million. 16/ Syrian officials claim this increase was much less than necessary to meet the needs of the economy.

3. International Financial Problems

The increasing economic activity, with the concomitant expansion of credit and demand for imports, has resulted in a

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deterioration in Syria's balance of payments and foreign exchange holdings. Syria's trade deficit is usually offset, on the current account of the balance of international payments, by local expenditures by foreign concessionaires and oil transit payments made by foreign oil companies, by United Nations Relief and Works Agency expenditures in Syria, and by emigrant remittances (see Table 8). Since 1953, however, the annual trade deficits have become larger without a proportionate increase in the offsetting factors.

TABLE 1

Syria's Balance of Trade
(millions \$US)

	<u>1953</u>	<u>1954</u>	<u>1955</u>
Imports	139.0	184.7	196.4
Exports	<u>103.7</u>	<u>128.4</u>	<u>132.3</u>
Trade Balance	= 35.3	= 56.3	= 64.1

During the first 10 months of 1955, foreign exchange reserves fell so rapidly that Syria faced a foreign exchange crisis. A crisis was averted when the Syrian Government received a \$10 million loan from Saudi Arabia and concluded a new agreement with the Iraq Petroleum Company, (IPC) which involved a sharp increase in sterling receipts. ^{*} 17/

* The IPC agreed to pay Syria 6½ million pounds sterling annually (approximately \$19 million) for transit rights of the oil pipelines. In addition, the IPC agreed to pay 8½ million pounds sterling (approximately \$24 million at the official rate of exchange) for retroactive payments and to deliver up to 600,000 tons of crude oil annually at a price considerably below the market price.

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TABLE 2

Syria's Foreign Exchange
Reserves

(million \$US)

December 1951	33.4
December 1952	29.3
December 1953	44.5
December 1954	46.7
July 1955	28.5
October 1955	30.9
December 1955	37.8

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II. Syrian Plans for Economic Development

A. Planned Investment

On 13 August 1955, the Syrian Parliament approved a 6-year extraordinary and special budget for economic development providing for expenditures through 1961 of about \$183 million. 18/ The budget includes \$24 million for new irrigation projects, \$17 million for roads, \$8 million for airports, \$12 million for the Ministry of Defense, \$24 million for completion of the Ghab drainage project in Western Syria, and \$22 million for an oil refinery. Also included were allocations for surveys for the Euphrates Valley irrigation scheme and the Latakia-Jezirah Railroad (See Table 9).

On 29 August 1955, a Permanent Economic Council and an Institute for Economic Development were established to control the execution of the development plans as a whole. The Council will serve as an advisory body and the Institute will plan and supervise capital development projects. 19/

Syria has in progress, in addition to a number of smaller projects, two major undertakings. The first, started late in 1952, is the transformation of Latakia into a modern seaport to serve as a principal outlet for Syrian commodities. The cost of renovating the port area is estimated at \$12 million and is to be completed by late 1957. 20/ The second major project, started in late 1953, is the reclamation of the Ghab swamps. 21/ This project is to be completed by 1965 and

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will cost about \$48 million. 22/ Approximately 125,000 acres suitable for growing rice, cotton, sugar beets, wheat and barley will be reclaimed. 23/ In addition to drainage facilities and irrigation dams, 5 power stations are to be constructed on the Orontes River to increase electric power generating capacity for the Homs-Hama area. 24/

The Euphrates Valley hydroelectric and irrigation complex is by far the most ambitious of Syria's planned development projects. The construction of the complex will extend over a considerable length of time and will cost approximately \$200 million. The cost of the Yusef Pasha Dam alone is estimated at \$40 million and that of the irrigation system at about \$155 million. 25/ Upon completion, the system will irrigate about one million acres suitable for cotton, wheat, barley and other products suitable for cultivation in Syria. In addition, the Dam will provide Aleppo with a sizeable increase in electric power.

Related to the Euphrates Valley complex is the expansion of transportation facilities to the area. In addition to funds allocated for road maintenance and improvement, the Syrian Government plans to invest approximately \$56 million in the construction of a railroad from the area to the Port of Latakia. 26/

B. Financing Economic Development

More than half of public investment in the program of economic development is to be financed through government bond issues and anticipated receipts of petroleum revenues from the Iraq Petroleum Company. 27/

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Table 3

Sources of Revenue (6-Year Estimate)	LS 000	Approximate \$US 000
Withdrawals from ordinary budget	90,000	25,000
Share of petroleum revenues	155,000	43,100
State reserve funds	68,954	19,155
Revenues from IBRD loans	77,000	21,389
Government domestic loans	246,946	68,597
Other	22,000	6,111
<hr/>		
TOTAL	LS 659,900	\$183,352

The Syrian Government at one time planned to seek a new loan from the International Bank, but later considered that the new agreement with the Iraq Petroleum Company eliminated the need for such a loan. The amount of anticipated petroleum revenue presented in Table 3—approximately \$7 million a year—, however, indicates that receipts resulting from the new IFC agreement had been included when the estimates were prepared. It is not known whether the program will be reduced accordingly or if other sources of funds are anticipated.

The ability of Syria to undertake a large-scale economic development program cannot easily be determined by the use of published budgetary information. Syria has many different types of budgets. These include the ordinary and developmental budgets, and various special, related, autonomous, and annexed budgets. Some are entirely independent of the ordinary budget; some are interrelated in that they either contribute to or draw upon the ordinary budget. These ancillary

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budgets total approximately 50 percent of the ordinary budget. 28/ The special budget, which includes a related budget and an autonomous budget, totalled about \$37 million in 1955. 29/ Syria traditionally underestimates revenues in its budget and the additional income is placed in a "reserve fund." The size of the fund is considered a military secret inasmuch as supplementary arms purchases are made from it. 30/ It would appear, however, that approximately 40 percent of the country's national income* is absorbed in governmental operations. Implementation of the economic development program without sizeable investment from foreign sources is hardly feasible, unless the government is willing to undertake severe anti-inflationary measures.

C. Creation of a Central Bank

On 1 August 1956, the Syrian Government opened a Central Bank as a major preliminary step in its expansion program. In an address commemorating the opening of the Bank, President Quwwatli indicated that the Bank will "direct the granting of loans in the country as is commensurate with the requirements of national economy. . . and will direct the financial policy with a view to promoting production, increasing the national revenue. . . ." 31/ The Central Bank is now the bank of issue and is responsible for determining credit and discount policies. In addition, the Bank will make loans for industrial and agricultural purposes. Potentially, the Bank is a source of inflation.

* Syria has an estimated population of 3.75 million and a \$100 per capita income.

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The Banque de Syrie et du Liban (BSL), the former bank of issue, limited its note issue to the extent of its gold and foreign exchange reserves. The charter of the Central Bank permits an expansion of money in circulation covered to the extent of only 30 percent by gold and foreign exchange. The balance of the backing is to be in official and private Syrian receivables. The Syrian economy is not yet experiencing any significant degree of inflation but inflationary forces are present and an injudicious Central Bank Policy could reenforce them. Present bank reserves do not appear adequate to support more than a moderate increase in note issue. If these reserves should increase appreciably at a future date, the inflationary potential would accordingly increase too.

The Syrian Government is in the process of establishing an Industrial Bank to finance industrial development. The capital of the Bank will be approximately \$2.8 million, of which the Syrian Government will subscribe to 51 percent of the stock and offer the remainder to the banks of other Arab countries.

D. Effects of the Middle East Crisis

The crisis which arose in the Middle East in mid-1956, forced Syria to curtail its economic development program at a time when it had scarcely got underway. On 6 November 1956 the Syrian Prime Minister ordered all Syrian ministries to stop spending on construction projects, not to seek tenders, and to suspend any work requiring large expenditures with the exception of matters related to national defense. 34/ He

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stated that the rapid increase in mobilization needs has presented Syria with the problem of raising an additional \$112 million for "non-recurrent arms purchases." 35/ (The length of time for which this sum is required has not been determined.) This is more than the \$90 million budgeted for total government operations during 1956. Whereas the 1956 budget increased by 25 percent over 1955, the estimated 1957 budget will be about 55 percent higher than in 1956, with more than 40 percent of the budget allocated for military expenditures. 36/

Table 4

Military Share of the Ordinary Budget
(\$US 000)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Total Budget	58,683	72,989	90,771	140,000
Military Share	21,128	22,829	33,614	57,000
Military Share as a Percent of Total	36	31	37	41

The Prime Minister of Syria indicated that the increase in the budget would be raised by imposing either a retail sales tax, an excise tax on manufactured goods, a capital levy, or a combination of these measures. 37/ On 10 December 1956, it was announced that the Cabinet was studying a bill which would provide for a three-year national loan of between \$24 to \$27 million and a tax upon industrial production, salaries and wages, and commodity purchases for raising the remainder of the emergency funds. 38/

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In addition to draining Syrian financial resources for military expenditures, the Middle East crisis has had other effects. The severing of the Iraq Petroleum Company pipelines has resulted in the loss of Syria's major source of foreign exchange and has created a fuel shortage with its accompanying adverse affects on industry. The actual loss to the Syrian economy will depend on how soon and at what rate the flow of oil at full capacity is resumed. It may take 9-12 months to restore full capacity.

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III. The Report of the International Bank for Reconstruction and Development

In February 1954, at the request of the Syrian Government, a ten-member commission from the International Bank for Reconstruction and Development (IBRD) arrived in Syria to undertake a general review of Syria's economic potentialities and submit recommendations for instituting a long-term economic development program. The Mission completed its survey during the latter part of April 1954 and submitted its report to the President of Syria.

The Mission outlined a program of government action for the years 1955 through 1960 and recommended a program for economic development amounting to about \$270 million. *

Table 5

Summary of IBRD Recommendations (millions \$US)

Irrigation and reclamation	55.8
Other agriculture	38.6
Electric power	16.8
Transport and communication	48.2
Public services and housing	105.1
Other	5.5
TOTAL	\$270.0

The Mission suggested that any long-range development program place primary emphasis upon agriculture with special consideration

* Unless otherwise indicated, information presented in this section is based upon the published report of the Mission, The Economic Development of Syria.

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given to stimulating cotton and grain exports. Although the total investment recommended is somewhat larger than that currently planned by Syria, the Mission recommended allocating a larger portion to public services and housing. The Mission suggested concentrating upon a number of smaller projects which could be completed in a short period of time and without too severe a burden on the economy. The Mission further recommended that the entire Euphrates Valley complex be put off until after 1960, in view of the high cost of the project and the construction time required. The Mission was apprehensive that the simultaneous execution of the Euphrates and other major projects would impose an excessive burden on the available financial resources. Expenditures over a long period of time with no significant increase in production during the extended construction period would be extremely inflationary.

It was suggested that a road network from the Jezirah area to Latakia be constructed rather than an expansion of railroad facilities. New and expanded road facilities would cost approximately \$30 million, compared to the estimated \$55 million for the expansion of the railroad. In addition to modernization of the port of Latakia, it was recommended that approximately \$6 million be invested in an expansion of grain storage facilities, eliminating the need for many farmers to dump their grain on the market during the harvest season.

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In addition to the sources of revenue indicated in the Syrian budget, the Mission suggested that additional revenue (about \$25 million) could be obtained through selective tax increases and an improvement in tax collecting procedures. The growth in the economy would itself provide an increase of 3 to 4 percent per year in taxes and other revenues.

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IV. Western Support for Economic Development

The extent to which Syrian economic development will require external assistance will depend upon the rate of progress desired. Until the announcement of the Six-Year Development Program, Syria had been able to maintain a slow rate of economic expansion without significant external assistance. With a rapid rate of expansion planned for the next few years, however, Syria will have to seek capital from external sources.

A. "Climate" for Foreign Investment

The Syrian political and economic climate for private investment presents a paradoxical picture. The country still has undeveloped agricultural resources and some degree of economic stability. Inflation is not yet a problem and the free market rate of the Syrian pound has been relatively stable for some time. Private ownership of industry predominates. The entrepreneurial group is influential and maintains satisfactory relations with foreign business circles. There are virtually no foreign exchange restrictions. Exchange Control Decree #637 of 21 April 1952 permits free transfer of capital and profits out of Syria, and is designed to foster both short and long-term foreign investment. 29/ The development of a foreign exchange market is primarily responsible for the relative stability of the dollar-pound exchange rate and is a prerequisite for the encouragement of domestic savings.

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On the other hand, there are factors which tend to dampen any enthusiasm for investment of foreign private capital. There is the rather small domestic market which presently confines the expansion and diversification of industrial output in Syria. In a country of only 3.8 million people with low purchasing power it is possible to manufacture economically only a limited range of articles for the home market. This market limitation has been somewhat offset by excessive protection of industry resulting from the priority given to measures designed for national self-sufficiency.

Of even greater significance has been Syria's political instability and rampant nationalism. Government changes have been frequent, with each new government becoming more anti-Western. Nationalization of foreign property has become more frequent. In March 1952, the government issued a decree requiring companies which were established outside Syria to be represented in Syria only by Syrian nationals or by commercial companies owned by Syrians. In addition, the decree requires that a majority of the managers and members of the board of directors of these commercial companies be Syrian. 40/

Decree #189 issued in April 1952 states that only Syrian nationals may own agricultural land. 41/ Broad interpretation of this decree could affect oil-prospecting concessions and leases inasmuch as prospecting is often carried out on land suitable for cultivation.

On 3 April 1956, the Syrian Parliament ratified a law arbitrarily

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ordering "concessionary companies" to increase wages by 16 percent. 42/
There is further legislation pending which would require foreign insurance companies to deposit cash in Syria instead of using bank guarantees. 43/

B. Foreign Investment

There are approximately 12,350 agencies and branches of foreign enterprises and 172 joint stock companies registered in Syria. These firms have invested about \$4 million in commercial activities and about \$3 million in banking operations. Except for investments in petroleum pipelines, total British and French investment is probably not large. United States investment is estimated at \$4.5 million, of which 90 percent is in petroleum facilities. 45/ Some important investment in oil exploration has recently been undertaken by an American firm and a West German consortium. 46/ Due to the current political instability in Syria, however, it is unlikely that further foreign investment will be undertaken there in the near future. Several major Western oil companies recently decided not to expand their present facilities in Syria. 47/

C. Loans and Technical Assistance

Nationalistic and anti-Western sentiment is nowhere more evident than in Syria's reluctance to accept loans or economic assistance from Western countries or Western-sponsored organizations. Except for

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United Nations relief aid to the Arab refugees, Syria has accepted only about \$300,000 annually in technical assistance from the United Nations since 1953. 48/ This has been confined to health and educational development and to technical advice provided by small groups of industrial and agricultural experts.

In July 1956, the Syrian Government refused to accept a \$30-million loan offered by the International Bank for Reconstruction and Development. 49/ The Syrians claimed that their new agreement with the Iraq Petroleum Company would provide the required funds for which a Bank loan was sought. It is probable that the Syrian Government may have objected to the supervisory requirements of the Bank and to the 4.75 percent interest rate. In addition, the rising anti-Western sentiment and probable desire to benefit from anticipated East-West competition also may have influenced the decision.

As far as is known, the only government-to-government loans accepted by Syria from the West have been a \$105,000 Export-Import Bank loan for drilling water wells 50/ and two loans totalling \$16 million extended by Saudi Arabia. In 1950 Syria received a \$6-million loan from Saudi Arabia. In November 1955, Saudi Arabia extended a \$10-million interest-free loan to Syria and postponed repayment of the previous loan. 51/ The loans are to be repaid through normal commodity trade.

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D. Western Construction Contracts

Few significant contracts--private or public--have been awarded to Western firms during the past several years. The following table is a summary of such major contracts as have been awarded to Western companies.

Table 6

Contracts Awarded to Western Companies 1954-1956

<u>Country</u>	<u>Date</u>	<u>Type of Project</u>
West Germany	late 1954	10,000 kw thermal electric plant near Aleppo. <u>52/</u> Construction of 52 km. canal near the Ghab. <u>53/</u>
Belgium	1956	Survey of Jezirah-Latakia Railroad. <u>54/</u>
Netherlands	1956	Construction of buildings at Aleppo and Messe (Damascus) airports. <u>55/</u>
United States	1956	Survey of Hejaz Railway. <u>56/</u>
Denmark		Latakia port survey. <u>57/</u>
Italy		Survey of 250 km. road from Ragga Ragga to Qamishli. <u>58/</u> Two drainage canals in the Ghab. <u>59/</u>
Switzerland		Survey of a dam on the Orontes River. <u>60/</u>
Sweden		Drilling of ten water wells. <u>61/</u>
Yugoslavia	1954-56	Several projects.*

* See Section IV F for Yugoslav activities in Syria

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Since the outbreak of hostilities in the Middle East, an agreement with a British company for drawing up plans for the construction of the International Airport in Damascus has been cancelled, as have various agreements with French and British firms for executing a number of small public works projects. 62/

E. Trade with the West

Trade with the West in 1955 comprised about 97 percent of Syria's total trade. France, Lebanon, and the United Kingdom accounted for approximately one-third of this trade (see Table 10.) Although complete trade statistics are not yet available, it is likely that there will be an increase in the proportion of trade with the Bloc and some change in the pattern of Syria's trade with the West. It appears, however, that the bulk of industrial and agricultural commodities required for Syrian consumer requirements and economic development will continue to be imported from the West. The most important commodities imported from the West are fuels, machinery, precious metals, iron and steel products, automobiles and other vehicles, and silk products (see Table 11). Iraq and Saudi Arabia provide almost all of Syria's petroleum requirements. The United Kingdom, the United States, France, and West Germany provide the bulk of the other important commodities imported by Syria.

Syria's major exports to the West are raw cotton, wheat, barley, and wool (see Table 11). France generally takes about half of Syria's cotton exports--the major source of foreign exchange earnings.

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Lebanon imports nearly all of Syrian exports of livestock and sizeable quantities of wheat, barley and wool.

A record crop during 1956 provided Syria with an exportable surplus of 80,000 metric tons of cotton, 300,000 metric tons of wheat, and 400,000 metric tons of barley. 63/ Bloc activity in the Syrian cotton market raised prices to a level sufficient to price French importers out of the market after France had contracted for only 5,000 tons. 64/ Approximately 50 percent of Syria's cotton surplus had been purchased by the Bloc by the end of January, 1957. 65/

Activity in the wheat market during 1956 was characterized chiefly by political rather than economic decisions. France had contracted for shipments of 75,000 metric tons, but public reaction to the Algerian crisis forced the Syrian Government to embargo all shipments of wheat to France. The ban denied exporters access to a major importer and forced the price of wheat on the domestic market to drop. 66/ (France was offering 15 to 18 percent higher prices than other countries.) Several months after the imposition of the ban the Government concluded an agreement to export 100,000 metric tons of wheat to Egypt, at a rate of 20,000 tons a month. 67/ The Syrian Government reportedly agreed to sell the wheat to Egypt at a low price and is meeting difficulty in fulfilling its commitment because domestic producers are balking at this government established price level. In addition, Syria is having

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difficulty in chartering ships to transport the wheat.

Syria's surplus of barley has found a ready market. Belgium has been replaced by West Germany as the major market and Yugoslavia has appeared as a major importer. Czechoslovakia is reportedly active in the market and other shipments are scheduled for Western Europe. The following table presents preliminary data of Syrian exports of wheat and barley during the 1956 export season.

Table 7

Syrian Exports of Wheat and Barley, June-September 1956
(metric tons)

	<u>Wheat</u>	<u>Barley</u>
Italy	14,400	31,000
Yugoslavia	-	28,100
Belgium	400	56,400
Rumania	-	14,500
Denmark	-	17,400
West Germany	5,200	66,400
France	800	500
Netherlands	4,600	10,800
Bulgaria	-	2,200
Egypt	1,244	-
Others	<u>10,700</u>	<u>5,300</u>
TOTAL	37,300	232,600

Syria is presently faced with the problem of disposing of its major industrial export--textiles. Growing competition in neighboring Arab states from Japanese and Eastern European textiles is pushing the higher-priced Syrian goods out of traditional markets, especially in

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Iraq. Some sales are being made in Saudi Arabia, Sweden and Switzerland but Syria is still finding it difficult to develop new markets for its textiles. 68/

F. Yugoslav Economic Activities in Syria

Syria's commerce with Yugoslavia has expanded considerably. In 1955 trade between the two countries reached a level of about \$2 million. In 1956, trade was at an annual rate of approximately \$3.3 million over the first three months and is expected to register an increase in the balance of the year. During all 1955, Yugoslavia imported only 8,360 metric tons of barley, whereas in the period, June-September 1956, imports of 28,130 metric tons of barley were registered.

The Yugoslavs have been successful in obtaining a number of important construction contracts in Syria. In the Fall of 1952, Yugoslavia was awarded contracts for a major part of the project to develop Latakia into a modern seaport. The portion contracted for was to have been completed by the end of 1956. 70/ The Syrian authorities were so pleased with the work the Yugoslavs had done that it appears probable that the remainder of the project will be awarded to them. 71/ In September 1953, the Yugoslavs received a \$1 million contract to begin the initial work on the Ghab reclamation project. The project was to be completed within two years after work commenced. 72/

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In early 1956, a Yugoslav company was awarded a contract to drill sixty desert waterwells in Syria 73/ and immediately dispatched 50 teams of drilling technicians to execute the contract. 74/

The Yugoslavs are actively bidding on a wide variety of projects. They were one of the first to submit a bid on the petroleum refinery project. 75/ When a Belgian firm was awarded a contract for the survey of the Jezirah-Latakia Railway, the Yugoslavs attempted, unsuccessfully, to reverse the decision with a cut-rate offer. 76/ In reply to a Syrian request for bids for the construction of a number of silos, the Yugoslavs underbid the lowest Western offer by 70 percent. 77/ The Yugoslavs are one of three leading contenders for the award to survey the Euphrates Valley complex. 78/

Recently Yugoslavia has become involved in arms negotiations with Syria. Two Syrian military representatives are reportedly negotiating for ~~additional~~ arms and may have already purchased approximately \$130,000 worth of rifles. The Syrians plan to accredit a military attache to Belgrade. 79/

Yugoslavia has plans for further expansion of trade with Syria and other Arab countries. The Yugoslav Foreign Trade Committee has established a special group to concern itself solely with the Middle East area.

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It contemplates selling goods on short term credit and promoting cooperation between individual firms and manufacturing enterprises of Yugoslavia and the Arab countries. 80/ In addition, each of the Yugoslav embassies in the Arab countries are being staffed with several Moslems to facilitate working with the Arab States. 81/

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V. Sino-Soviet Bloc Support for Economic Development

A. Introduction

Until late 1954 Syrian economic relations with the Bloc were confined to a limited commerce, almost all of it with Czechoslovakia. In September 1954, the Sino-Soviet Bloc gave the first indication of a more active economic policy toward Syria. At the First Damascus International Fair the participating Bloc countries constructed elaborate pavilions, displayed extensive lines of commodities, and otherwise dominated the exhibition. With the initial propaganda benefits, thus obtained, the now familiar pattern of Bloc economic penetration began to unfold. Numerous delegations with authority to sign commercial agreements appeared in Damascus with increasing frequency. Bloc commercial representatives offered to sell commodities at below-market prices and to buy Syrian commodities at premium prices. Commercial offices were opened in Damascus and Bloc commodities were advertised extensively in local newspapers. Local representatives for Bloc trade organizations began to appear throughout the major cities of Syria. Commercial, scientific, technical and cultural delegations were exchanged and numerous, though vague, offers of assistance for Syria's economic development program were extended. By the time of the Third Damascus International Fair in September 1956, Syria had signed trade agreements with Communist China and all the European

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Bloc countries. The foundation for an expansion of trade relations appeared to be firmly established.

B. Expansion of Economic Relations

1. The Damascus International Fair

The Damascus International Fair, the most important of the trade fairs held in the Arab countries, serves as an important mechanism for the expansion of Bloc economic relations not only with Syria but with other Arab countries as well. Since the first fair was activated in September 1954, the Bloc has dominated the fairgrounds with elaborate pavilions and well devised propaganda. At the first fair, the Soviet Union, Communist China, Czechoslovakia, Hungary and Bulgaria presented the most spectacular pavilions and attracted the most visitors. 82/ These countries displayed everything from heavy industrial equipment to foodstuffs and clothing, with major emphasis upon those commodities necessary for a suitable expansion of agricultural and industrial production in the region. (See Table 12).

The USSR did not participate in the second fair but the Bloc was represented by Communist China, Czechoslovakia, East Germany, Hungary and Poland. The Bloc again dominated the event, with the pavilion of Communist China the most popular.

Bloc participation at the third fair was particularly important as every European Bloc country and Communist China had

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displays. Several of the Bloc countries advertised heavily in local newspapers and the Bloc pavilions again were among the most impressive of the Fair.

With the exception of the East German and Czechoslovakian exhibits, it appears that the main purpose of the Bloc pavilions was to impress the Syrian public with the range and capabilities of industry in communist countries. Many of the Bloc representatives at the displays refused to discuss prices, credit terms, or delivery terms. Observer reports indicate that the various displays of heavy industrial equipment made little impression upon a country with no prospect of developing heavy industry. Many of the consumer goods displayed could not have been designed for sale in a consumer market with limited purchasing power. Much of the advertising undertaken by the Bloc during the fair was of a general nature, without reference to specific commodities.

The displays of the East Germans and Czechs, although tinged with propaganda, appear to have been successful in selling the commodities displayed. In 1954, the Czechs reportedly closed contracts for about \$1 million worth of commodities of the types displayed at the Fair. 83/ The East Germans claimed to have arranged for \$3 million worth of business by the end of the 1956 Fair. 84/ Representatives of both these countries offered commodities at low prices and were willing

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to extend favorable credit terms. 85/

Available information indicates that the commodities displayed by the Bloc were generally inferior or obsolete when compared to Western products. It must not be overlooked, however, that to countries in the early stage of industrial development the low cost of such equipment may far outweigh the slight disadvantages of obsolescence. Furthermore, where funds are short buyers will be attracted by payment plans which extend over a long period of time.

The following information is representative of comments

about the quality

of the products displayed by the Bloc during the three fairs. 86/

USSR

Heavy equipment, agricultural and textile machinery generally considered good; consumer goods are generally very poor; prices of Soviet television about 2½ times that of comparable U.S. sets; road-building equipment generally good but not suitable for large-scale operations; Soviet tractors equally as good as U.S. tractors.

Communist China

General appearance of machinery and machine tools seemed quite good; textile machinery on display needed frequent repairs; some machine tools possibly made in the USSR; consumer goods generally poor; agricultural equipment generally acceptable; medical equipment appeared to be copies of obsolete American products.

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Czechoslovakia Quality of products consistently good; industrial and agricultural equipment regarded highly; medical equipment good; automotive equipment generally inferior; sporting equipment excellent.

East Germany Industrial and agricultural equipment and consumer goods generally good; rubber products excellent; tractor trailers acceptable; binoculars and other optical equipment excellent; automotive equipment inferior.

Poland Textile machinery not up to Syrian standards; medical equipment good but priced high; agricultural machinery below Western standards; machine tools comparable to any in Western Europe; autos and trucks inferior.

Hungary Generally below standard; radios good and low priced; industrial and agricultural machinery inferior.

Rumania Machinery unfavorable when compared to Italian or French; some goods probably made in USSR; agricultural equipment poor, electrical equipment obsolete; flour milling equipment obsolete.

Bulgaria Machine tools below standard; agricultural machinery poorly designed; much equipment copies obsolete Western European models.

Albania Quality generally poor; cloth drab and rough; many products shabby.

2. Influx of Commercial Delegations

The activities of the Bloc delegations at the Second Damascus International Fair soon made it clear that an economic

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offensive was being launched against the Syrian Government. The Chinese, Polish, and East German delegations to the Fair in 1955 all came to Damascus authorized by their respective governments to conclude trade agreements, and were joined late in September by a similarly authorized Soviet trade delegation. 87/ Newspapers contained reports of banquets given by these delegations at which Syrian officials were entertained and impressed with the advantages of closer economic relations. The drift to the left which had characterized the domestic political scene assured Syrian receptivity to these blandishments. The four Bloc delegations were successful in concluding trade agreements with Syria. Since the end of 1955 there has been a steady flow of Bloc trade, scientific and technical delegations into Syria.

3. Market Penetration--Price Manipulation

25X1X Techniques employed by Bloc representatives to gain access to some commodity markets include offers to purchase at premium prices, to sell their own products below prices generally prevailing, and to grant favorable credit and payment arrangements. As a rule it has not been possible to establish that the resulting prices are below costs of production in the Bloc. [] East German commercial officials were endeavoring to enter the machinery market by offering their products at "ridiculously low prices" and by allowing liberal credit terms of over 18 months. 88/ As an example, East Germany was

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awarded a contract for lathes when it underbid the next lowest offer by 30 percent. 89/ The Communist Chinese offered to sell 20,000 metric tons of iron bars at about \$97 per metric ton, c.i.f. Latakia, at a time when the wholesale price of iron bars in Damascus was about \$153 per metric ton. They further offered to accept as payment Syrian currency or cotton at the prevailing market price. 90/

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[REDACTED]

[REDACTED] At the 1956 Damascus Fair, the Czechs offered to sell various commodities at lower prices than those for comparable Western goods. They offered to accept 25 percent in cash with the order or receipt of documents with the balance payable in 18 months on machine tools, and up to 24 months on trucks and tractors. 92/ The following are additional examples of the methods employed to penetrate the Syrian market:

USSR Offered trucks at less than \$5,000 compared to \$6,800 for American trucks of similar capacity; 93/ sold ball-bearings, manufactured to fit U.S. manufactured automobiles and trucks, at competitive prices. 94/ Offered to sell copies of U.S. automotive spare parts at 50 percent below U.S. prices. 95/

Czechoslovakia Offered to sell locomotives that Syrian business circles considered good in quality at 5-10

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percent less than comparable Western locomotives; payment terms were 10 percent down and the balance in equal installments without interest; 96/ reportedly sold tanks to Syria for \$8,640; surplus U.S. tanks were being sold to Saudi Arabia for \$94,500; 97/ offered to purchase a large quantity of barley at 10 percent above the market price. 98/

Hungary

Awarded a large X-ray equipment contract by underbidding the lowest Western offer by 25 percent. 99/

Rumania

Offered agricultural and industrial machinery at prices 20 to 30 percent lower than comparable European goods, and 40 percent lower than U.S. goods. 100/

Bloc

During the wool season in mid-1956, the price of wool was approximately 90 cents per pound. A large influx of wool caused prices to fall considerably. The USSR and Czechoslovakia entered the market and paid some merchants 10 to 15 percent above the market price. 101/ During the 1956 cotton-buying season, a number of Bloc countries succeeded in raising the price of cotton by 17 percent through competitive bidding. 102/

4. Trade Agreements

Until late 1955 Czechoslovakia was the only member of the Bloc which had a trade agreement with Syria. In October 1955, Polish trade representatives signed a trade agreement and within a year Syria had trade agreements with Communist China and every European Bloc country. (see Table 13) The agreements generally require the shipment of Syrian agricultural products and textiles in exchange

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for industrial products, industrial raw materials, and machinery.

These trade agreements have served primarily as instruments of propaganda as actual trade with the Bloc has not assumed major proportions. All agreements, however, do contain provisions for an expansion of trade, if desired.

5. Commercial Offices and Domestic Agencies

One clause of the trade agreements which most of the Bloc countries appear to be implementing is that providing for the establishment of permanent trade offices in Syria. In 1955, the Soviet Union opened a commercial office in Damascus and began to advertise Soviet merchandise in local newspapers. 103/ Permanent commercial attaches or missions were subsequently established by Poland, Hungary, Bulgaria, Czechoslovakia, Communist China and East Germany. In addition to its commercial attaché, the East German Government intends to establish a branch of its foreign trade bank in Damascus as a means of simplifying payments arrangements between the two countries. 104/ Expanding economic relations eventually resulted in official recognition of Communist China and an agreement with East Germany for the establishment of an East German consulate in Damascus. 105/ As yet, the consulate has not been activated.

The policy of granting exclusive agencies for the sale of specific commodities is being used by the Bloc with increasing

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frequency. Numerous agents displaying Bloc commodities have appeared in the more important cities of Syria (see Table 14). In 1955, the Soviet Union granted George Uwayshiq, a high ranking member of the Syrian-Lebanese Communist Party, an exclusive agency for the sale of Soviet automobiles in Syria and Lebanon—the first agency in the Middle East to sell Soviet goods privately. The agency grant was made by the Soviet Legation on the recommendation of Khalid Bakdash, who is a member of the Syrian Parliament and the leader of the Syrian-Lebanese Communist Party. 106/

On 5 July 1956, the Syrian Government authorized the establishment of the Syrian Eastern Economic Development Corporation. 107/ The corporation was organized to handle general merchandise trade with Bloc countries on a commission and representation basis, and also to undertake the construction of industrial plants, the establishment of shipping and transportation agencies, the sale of petroleum products and derivatives, and to extend brokerage and advertising services. 108/ The corporation reportedly was organized at the instigation of the chief of a Soviet technical delegation which had visited Syria in March 1956. The group which subsequently formed the organization was assured that all business transactions concluded in the future between the USSR and Syria would be handled through this corporation. 109/ The manager of the corporation is the above mentioned George Uwayshiq. Of particular

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significance is the appointment of Abd-el-Hadi Rabbat as chairman of the board of directors. Rabbat, a conservative businessman, is one of the most influential industrialists in Syria. His stature could add impetus to the campaign aimed at increasing Soviet-Syrian trade.

6. Trade with the Sino-Soviet Bloc

In 1955, Syria's trade with the Sino-Soviet Bloc totalled about \$7 million and accounted for about 2 percent of Syria's total trade (see Table 15). During the first nine months of 1956 trade between Syria and the Bloc rose to almost \$8 million, or about 4 percent of Syria's total world trade.

The commodities Syria has exported to the Bloc have been traditional Syrian exports--cotton, wheat and barley. Major imports from the Bloc have been such commodities as wood products, cotton manufactures, and glassware. The exchanges of particular commodities have been small and have not reflected the development of any dependence upon Bloc markets or suppliers.

The pattern of trade for 1956, however, will probably show a sizeable increase in Syria's trade with the Bloc. For the next few years, the Bloc should be an important market for Syrian cotton; especially if cotton is to be used as payment for arms recently obtained from the Bloc. During the cotton marketing season in the Fall of 1956, the Bloc entered the cotton market in force. By the end

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of January 1957, purchases of cotton by the Bloc amounted to about 19,000 metric tons compared with about 4,600 metric tons during the entire 1955/56 marketing year. 110/ The Bloc, aside from the cotton accepted in partial payment for arms purchases, reportedly paid cash, did not quibble over prices, and made generous promises of future purchases. 111/ During 1956, Bloc cotton purchases may have been as high as \$13 million. Communist China's cotton purchases alone probably totalled more than \$5 million during this period, compared with total trade of \$318,000 during 1955. 112/

The severing of the IFC pipeline transiting Syria has caused a fuel crisis and forced Syria to turn to the Bloc for imports of petroleum. When Western oil companies in the Middle East indicated their inability and unwillingness to supply Syria with its petroleum needs, the USSR offered immediate shipments of 75,000 tons. Syria subsequently contracted for 40,000 tons of petroleum valued at about \$1.6 million from the USSR. During December 1956 about 22,000 tons were delivered to Damascus. 113/

7. Trade Difficulties

There have been few Syrian complaints reported about the quality of commodities or services of the Bloc. Czech products have generally been well received. One major complaint on the part of the Syrian Government has been the lack of fulfillment of commercial

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agreements signed with the Bloc, especially Czechoslovakia.

[REDACTED]

[REDACTED]

In 1954, Czechoslovakia

exported approximately \$1.7 million worth of goods and purchased only \$5,000 worth of Syrian commodities. In 1955, Czech exports to Syria were double the imports and Syria's imports from the Bloc as a whole were almost four times her exports to the Bloc. The Syrians have occasionally complained about Bloc trade delegations being more interested in purveying propaganda than in concluding commercial agreements. 115/

The sale of East German "IFA" automobiles in Syria was far from a commercial success because of the poor quality of the product. Purchasers complained of the inability of the automobiles to climb hills and of serious engine trouble after only a few months of use. 116/

[REDACTED]

The distributor of Soviet automobiles has complained that sales are impeded because of the insufficiency of spare parts, service facilities and the general high prices of the automobiles. 118/ The

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insufficiency of spare parts has been a factor in the inability of Rumanian-manufactured machinery to enter the Syrian market to any extent. 119/ In some instances, Syrian importers have received prepaid shipments of various types of goods from Czechoslovakia which were not the styles and numbers ordered. 120/

C. Assistance for Economic Development by Soviet Bloc Countries

Since early 1956, Syria has been subjected to a barrage of offers by a number of Bloc countries to assist in her economic development. Many of the offers have quoted low prices and generous repayment terms. [REDACTED] many Soviet

Bloc bids for surveys and construction projects ran about 28 cents to each dollar of American bids. 121/ [REDACTED]

[REDACTED] the high cost of American equipment and technical service was prompting many Syrian businessmen to look with favor upon Bloc offers. 122/

Offers of assistance have ranged from the construction of small industrial installations to general offers of assistance for the complete requirements of Syria's economic development program. Long-term credit arrangements with Bloc countries providing for economic development ventures came to about \$30 million by Spring 1957. At the same time, offers are outstanding for more than \$10 million additional. The contracts which have been signed have, for the most part, been with Syrian businessmen and not directly related to Syria's planned developmental projects (see Table 17).

1. USSR

The USSR has offered the most and probably has accomplished

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the least in assisting Syria in developing her economy. In late 1955, the USSR offered to construct a petroleum refinery at a nominal price. 123/ This offer, assisted by domestic left-wing pressure for acceptance, was largely responsible for the inclusion in the development program of a \$24-million refinery. The USSR, subsequently, dropped out of contention for the refinery contract. A technical delegation headed by Nikolai Melnikov, director of Technoexport, arrived in Syria in February 1956 purportedly to study Syrian industry. 124/ The delegation toured the major Syrian cities, publicizing their visit with indiscriminate offers of economic assistance. In Damascus, Melnikov offered to assist in the construction of textiles, cement, and glass plants, a petroleum refinery, an electric power plant, and the Latakia-Aleppo railway. The businessman of Homs and Hama were offered assistance in the construction of cement plants which would require no down payment until the facilities were in operation. In Aleppo, businessmen were offered assistance in the construction of a number of plants, including silk and textile mills. 125/ One firm in Aleppo was offered a cement plant for \$38,000 (excluding

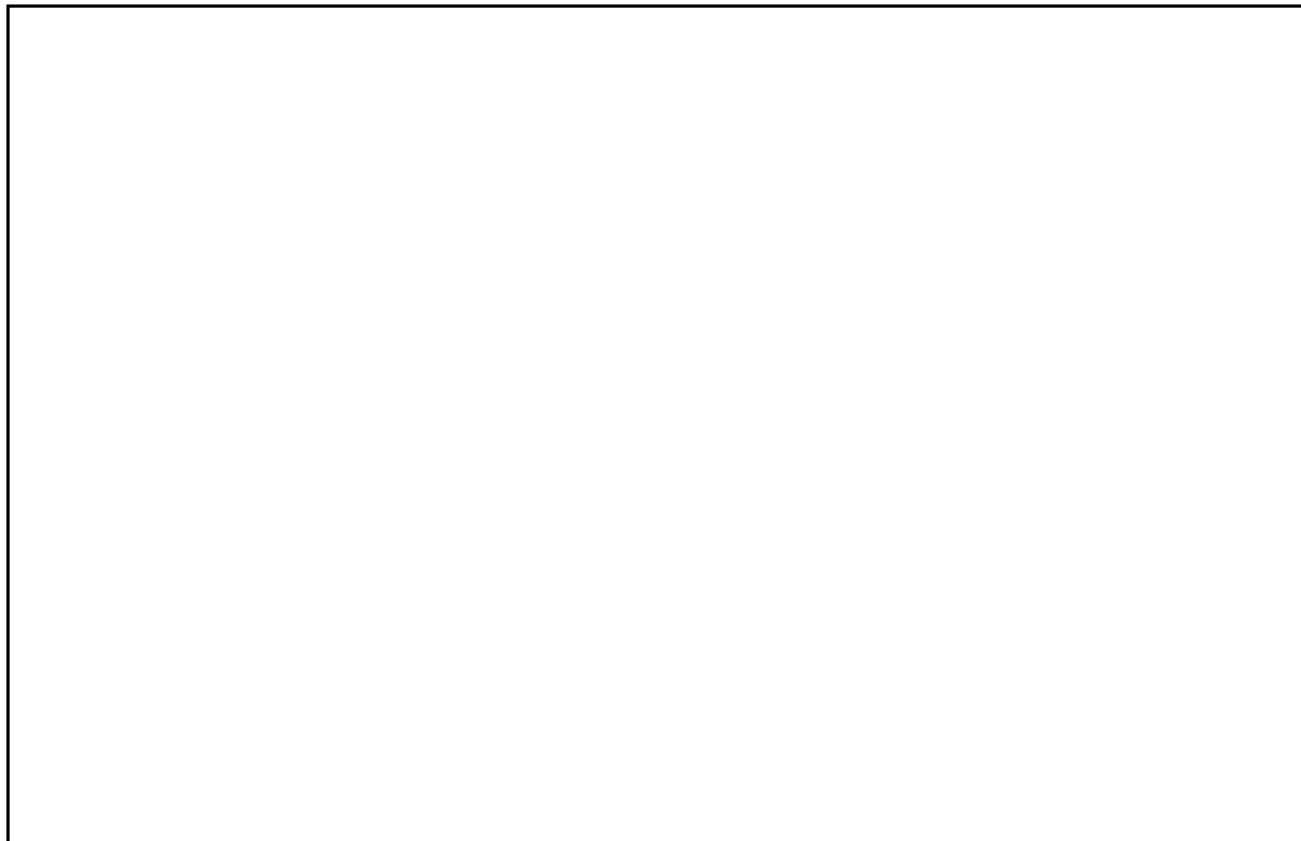
In June 1956, Soviet Foreign Minister Shepilov visited Syria and extended offers of political, economic and military assistance. 126/

* This is an unrealistic figure and was probably presented for its propaganda value. The value of the scrap iron in an average cement plant in the United States would be more than \$38,000.

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2. Czechoslovakia

Czechoslovakia has been one of the more successful Bloc countries in obtaining construction contracts in Syria. The Czechs have reportedly been awarded contracts valued at more than \$21 million, including the construction of a major oil refinery, a sugar refinery, a china factory and two cement plants. (see Table 17) In addition, they have been awarded a contract for the survey of a major cement plant in Hama.

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3. East Germany

The East Germans have been awarded contracts for the construction of two cement plants, several textile factories and a shoe factory. They have placed bids on a number of other projects, including the Latakia-Aleppo Railroad (see Table 17). The cement plants to be constructed by the East Germans--two of three major plants to be constructed by private Syrian businessmen--will eventually supply the bulk of Syria's cement needs. The cement plant in Aleppo was awarded to the East Germans for about \$1.3 million as compared to an American bid of approximately \$2 million. 132/

4. Hungary

Hungary has been awarded contracts to construct three flour mills in Syria and has placed a bid for the contract to construct a highway from Aleppo to Jezirah. In addition, the Hungarians have offered to send mobile technical teams into the agricultural areas of Syria. These teams would be composed of one or two "technicians and/or agricultural experts" and a crew of approximately 10 maintenance men. These units would repair and service agricultural equipment and give advice on agricultural matters. 133/ The effect of Hungary's current economic crisis on these foreign economic activities has not become clear at this writing.

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5. Bulgaria

The Bulgarians have been awarded contracts totalling nearly \$4 million. Included are contracts to construct military barracks, a military airfield and a number of grain elevators (see ^{134/} Table 17). The contract for grain elevators was obtained after the Bulgarians underbid a West German firm by 60 percent. ^{135/} Bulgaria also obtained a contract to undertake a four-year geological survey to determine the prospects for the development of mineral resources. ^{136/} A group of technicians is studying plans for further development of the Port of Latakia. ^{137/} Ten agricultural experts are training Syrians in the use of agricultural machinery in an agricultural school which is reportedly furnished exclusively with equipment donated by Bulgaria. ^{138/}

6. Poland

In January 1956, the Polish firm CEKOP secured a contract

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from Saudi Arabia, Syria and Jordan to survey the reconstruction of the Hejaz Railroad. The contract—\$445,000—secured in competition against Western bidders, was far below Western bids and reportedly would not have covered the contractor's costs. 141/ The contract was subsequently cancelled when Saudi Arabia refused to permit the Polish technicians to enter that country. Ten of the Polish technicians remained in Syria and are preparing an offer for the survey of the Latakia-Aleppo-Jezirah Railroad. 142/

7. Rumania

Shortly before the opening of the Damascus Fair in September 1956, George Andrescu, Director of the Rumanian pavilion, expressed an interest in assisting Syria in construction of cement plants at Hama and Hams and in the expansion of the railroad facilities in the Aleppo-Latakia area. 143/

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D. The Issue of the Homs Petroleum Refinery

The prospect of Bloc erosion of Western influence in the Middle East petroleum industry, which could result from Bloc construction of a major petroleum refinery in Syria, has caused considerable concern among Western officials. The United States Government considered the situation serious enough to warrant increasing P.L. 480 assistance to certain Western governments if they would agree to subsidize any bid extended by their domestic firms. 144/ The refinery became a major East-West economic issue.

Under an agreement concluded late in 1955, the IFC agreed to provide Syria with 600,000 tons of crude oil annually at reduced prices. The USSR immediately offered to construct a refinery at a nominal price to process the crude oil. 145/ Pressure from left-wing elements in Syria then forced the government to include the construction of a refinery with an annual capacity of one million tons in its Six-Year Developmental Budget. The Syrian Petroleum Institute was created to draw up specifications and call for bids on the project.

In addition to the rather nebulous Soviet bid, Czechoslovakia registered a firm bid and on 20 February 1956 it was rumored that the Czech bid was accepted in principle. 146/ In March 1956 a group of Czech petroleum experts arrived in Damascus and stated that Czechoslovakia could complete the refinery in two years. 147/

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X1: In addition to the Soviet and Czech bids, the Syrian Government received bids from firms in the United Kingdom, France, West Germany, Italy, Yugoslavia and the United States. 149/ The Syrian Minister of Public Works established an advisory group consisting of one representative each from Czechoslovakia, Egypt and the United Kingdom to study the bids and provide technical advice. 150/

By mid-July 1956, the bids under consideration were narrowed to those from Czechoslovakia and Procon, a US-UK firm. Both placed bids of approximately \$15.7 million but the Procon plans were considered to be technically superior. 151/ Czechoslovakia, however, subsequently lowered its bid. 152/ Procon refused to engage in a "Dutch auction" with the Czechs and was unwilling to place a lower bid without a provision for an escalation clause to compensate for any future increase in labor and material costs. 153/ Yielding to U.S. governmental pressure, however, Procon presented a firm bid, offering to accept 10 percent one year after the contract, 10 percent upon completion of work and 80 percent over 7 years at a low rate of interest. 154/ The Czechs had offered to accept 50 percent upon completion and the balance over 5 years. 155/

With the outbreak of hostilities in the Middle East and anti-Western sentiment at a peak, public pressure mounted for an award to Czechoslovakia. Seeking to find some grounds for compromise because of the technical inferiority of the Czech specification, the Minister of

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X1. Public Works attempted to have the Czechs construct the basic facilities (\$12-13 million) and either the West Germans or Italians construct the highly complex cracking facilities (\$2-3 million). 156/ The West Germans and Italians refused to agree to cooperate with the Czechs on any construction project. 157/ The United States offered to increase its 1957 fiscal-year aid to Italy if the Italian Government would lend up to \$11 million to an Italian consortium which considered placing a new bid for the entire project. 158/

In the meantime there were reports in the Syrian press that the Czechs had presented a new offer to build the complete refinery with the USSR providing technical aid and a catalytic cracking unit. 159/ In late October 1956, a 3-man Czech delegation arrived in Damascus and pressured left-wing elements into calling for an award to Czechoslovakia. It was rumored that the Czech bid had again been lowered. 160/

By the end of November 1956, it became apparent that the award of the contract would be based principally upon political considerations. The Syrian Cabinet was split between a majority in favor of awarding the contract to Czechoslovakia and a dissenting group—including the Minister of Public Works, who is responsible for signing the contract. 161/ By the end of 1956, however, the Cabinet was reorganized and a Minister of Public Works favorably disposed to an award of the contract to the Czechs was appointed. The new Minister stated that the Czechs had lowered their

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bid by 7 percent and were willing to accept Syrian pounds as payment. 162/ President Quwatli informed Procon that the refinery was now a political issue and would probably determine Syria's future political inclinations, but that a lower bid by Procon might influence the decision. 163/ Procon claimed it had lowered its bid as much as was economically feasible and that further consideration was useless since it was likely that Czechoslovakia would again lower its bid. 164/ On March 16, 1957, the Minister of Public Works announced that the contract had been awarded to Czechoslovakia. The construction is expected to take 27 months and entail a foreign exchange cost of about \$15 million. 165/ Syria will be required to pay 10 percent upon signature of the agreement, 15 percent within three months after signature, 10 percent when the refinery commences operations, and the balance in seven equal installments ending 30 June 1966. The loan carries an interest rate of 3 percent on the unpaid balance. 166/ Although the price was not substantially lower than the Procon bid, President Quwatli claimed that the Czech offer had several advantages. In addition to a lower price, the Czechs required a lower interest rate, were willing to accept payment in Syrian goods, guaranteed quality equal to Western processes, and were willing to postpone payment of Syria's arms indebtedness to Czechoslovakia. 167/ Prime Minister Asali stated that 70 percent of the price was payable in Syrian merchandise. 168/ The Czechs also were reported to be willing to revise the Syro-Czech trade agreement as desired by Syria, to provide needed spare parts for military equipment,

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X1. and to furnish additional arms whenever requested. 169/

Although the contract has been awarded to Czechoslovakia, the issue still appears to be unsettled. The award of the contract occurred at the same time that a struggle for power developed between right and left-wing factions in the government. 170/ It may well be that the award precipitated this crisis in the Syrian government.

E. Scholarships

Within the framework of trade and cultural agreements with the Bloc, a clause is generally included which provides for economic and technical assistance. One device used by the Bloc to provide technical assistance is the extension of scholarships to students and professionals for study in the Bloc. Syria has an agreement with the USSR for general assistance within the field of education and has offered scholarships to professors who desire to specialize in the studies of the use of atomic energy. 171/ In addition, scholarships have been offered for the study of language and literature in the USSR. 172/

Czechoslovakia has extended thirty-five scholarships and Poland five scholarships for the study of engineering, mathematics, physics and chemistry. 173/ East Germany offered fifteen scholarships and Bulgaria three for technical, scientific and liberal arts studies in those countries. 174/

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IV. Conclusions

Syria's economic relations with the Western world have been profoundly disturbed by the Soviet Bloc's arrival on the scene as an active political and economic force. In Syria, the USSR has succeeded in synthesizing Arab nationalism with Soviet imperialism into an anti-Western force not equalled elsewhere in the non-communist world. As a result, Syria has moved slowly but steadily to the left. The growth of left-wing parties in itself has not been particularly spectacular and communist ideology apparently has not been a significant factor in domestic economic policy. However, the leaders in Syria, and other Arab countries have hammered so hard on the anti-Western colonialism and anti-Israeli themes that economic relations between Syria and the Western countries have been seriously affected.

Political instability in Syria has adversely affected not only Syrian plans for economic development but the daily operation of the economy itself. Government policy is now characterized by extreme economic nationalism, and the Israeli problem has influenced many economic decisions. The basically conservative Syrian business community has been outshouted by domestic political elements, so that many businessmen have been forced to turn to the Bloc in order to remain in business. Political considerations have profoundly affected Syria's pattern of foreign trade, and economic relations with France and the United Kingdom.

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heretofore two of Syria's most important trading partners--are almost at a standstill.

Syria's economic development must be based upon large-scale investment in agriculture, public utilities and various social undertakings that will not be productive in the immediate future. In addition, much effort will necessarily be channeled into enterprises which constitute the indispensable basis of development--railroads, highways, electric power. The indirect character of the benefits accruing from them, the sheer magnitude of the necessary investment, or the extent of the risks involved, requires government sponsorship of these undertakings. The very nature of these public undertakings, moreover, lies in their long-run character; and private investment in a situation fraught with uncertainties would rather wait upon than assist in the completion of most of these large-scale undertakings. The violence done to foreign investments through destruction of property and nationalization has caused Western capital to shy away from further involvement in Syria. Yet, Syria must attract foreign capital. One of the ironies of the present situation is that Syria depends upon Western markets for the sale of its products and for capital to invest in developmental schemes, and yet Syria has become openly hostile to the West, and fears its political and economic penetration.

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The Sino-Soviet Bloc does not appear willing to become an alternative source of capital to which Syria can turn. There is nothing to indicate that the USSR is prepared to risk extending large-scale loans or grants to Syria, or to seriously negotiate the general offers of assistance made by delegations and missions which have visited Syria. Domestic economic difficulties in Communist China and the European Satellites make them questionable sources of sizeable quantities of future investment capital, although some, especially Czechoslovakia and East Germany, may be expected to continue to obtain construction contracts in Syria. Indeed, it would appear that the USSR has been setting the propaganda stage for economic assistance and then sending the Satellites to do the actual negotiating. The petroleum refinery is an example of this technique.

Rather than assist in Syrian economic development, the economic and political activities of the Bloc have served to bring Syria close to financial collapse through the disruption of trade with the West and increased military expenditures.

Should Syria survive the present political and economic ferment it will still face serious long-range economic problems. The expansion of agricultural production as envisaged in development plans may well fail to provide an adequate solution. Syria is presently a surplus cotton and cereals producer and as other underdeveloped-agricultural

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countries expand production, Syrian commodities will meet increasing competition on world markets. The USSR itself plans to expand cotton production by about 330,000 tons annually by 1962. 188/ This expansion alone is more than Syria's total production of cotton.

Although trade between Syria and the Bloc may be expected to expand, an economic foundation for a large-scale expansion of trade with the Bloc does not presently exist. The Syrians might be willing to expand their purchases of industrial commodities from the Bloc, but the economic difficulties in Eastern Europe will compel these countries to seek an expansion of trade with countries which can solve their immediate economic problems.

The Bloc will probably continue to exert economic pressure upon Syria with offers to expand trade and assistance for Syria's economic development program. It is probable that the Bloc will continue to undertake construction projects and, as long as tension exists in the area, continue to provide Syria with arms.

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APPENDIX A

Table 8

Syrian Balance of Payments, 1953-4
(US million)

	<u>1953</u>		<u>1954</u>	
	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>
A. Commodities and Services				
1. Imports and Exports	114.3	135.6	159.7	188.5
2. Transit Trade	1.7		2.8	
3. Tourism	4.2	6.7	5.6	19.6
4. Oil Companies	13.7		11.2	
5. Miscellaneous	<u>2.8</u>	<u>1.1</u>	<u>4.2</u>	
Total (A)	136.7	143.4	183.5	208.1
B. Grants and Remittances				
1. Emigrant remittances	2.8		2.8	
2. UN grants to UNRW	<u>2.8</u>		<u>1.1</u>	
Total (B)	5.6		3.9	
C. Capital and Gold Movements				
1. Private Sector	5.6		6.2	
2. Banks	12.9		13.8	
3. IFM payments		1.1		
4. Monetary Reserves		<u>14.6</u>		<u>2.1</u>
Total (C)	18.5	15.7	20.0	2.1
D. Errors and Omissions		<u>1.7</u>	<u>2.8</u>	
Total (A-D)	160.8	160.8	210.2	210.2

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Table 9

Syrian Developmental Budget
1955 - 1961
(\$US 000)

I. New Expenditures

Administrative Expenses	1,443	
Investments in Semi-Autonomous		
Government Projects	2,301	
Irrigation Program	24,505	
Road Program		
Construction	8,544	
Maintenance	8,965	
Airports	7,564	
Land Surveys	3,361	
Miscellaneous Construction	14,596	
Ministry of Defense	12,605	<u>83,884</u>
TOTAL NEW PROJECTS		
Appropriations to Existing Projects	1,680	
Appropriations to Existing Commitments		
for Loans and Advances to Public		
Projects*	46,443	
Additional Investment in Semi-Auto-		
nomous Government Corporations	<u>4,202</u>	<u>52,325</u>
Balances Not Yet Used by Existing Projects		<u>48,137</u>
GRAND TOTAL		<u>184,346</u>

* Includes \$580 million for a petroleum refinery

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Table 10

Syrian Trade with the West

1954, 1955, 1956 (9 months)

	1954		1955		1956 (\$ US 000)	
	Total	Percent of Total	Total	Percent of Total	9 months 1956	Percent of Total
TOTAL TRADE	308,030	100	322,247	100	196,522	100
Major Trading Partners						
France	41,126	13	46,460	15	19,331	10
Lebanon	47,454	16	36,876	11	34,695	18
United Kingdom	35,071	11	35,892	11	14,802	7
United States	27,548	9	27,370	9	15,502	8
West Germany	25,605	8	25,998	8	16,171	8
Italy	16,687	5	23,472	7	14,222	7
Iraq	7,752	3	17,731	6	10,766	5
Belgium	14,515	5	9,907	3	6,044	3
Saudi Arabia	9,696	3	9,680	3	8,934	5
Netherlands	18,178	6	4,276	1	3,784	2
Others	64,398	21	84,565	26	52,271	27

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Source: Ministry of National Economy, Directorate of Statistics, Statistical Abstract of Syria, 1955, Damascus, 1956.Ministry of National Economy, Directorate of Statistics, Summary of Foreign Trade, Damascus, 1956

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Table 11

Syrian Commodity Trade with the West
(Major Commodities)
1954 - 1955, Jan - Sep 1956

<u>Imports</u>	1954		1955		Jan-Sep 1956	
	<u>Value</u>	<u>Percent of Total</u>	<u>Value</u>	<u>Percent of Total</u>	<u>Value</u>	<u>Percent of Total</u>
<u>Total Trade</u>	<u>177</u>	<u>100</u>	<u>190</u>	<u>100</u>	<u>99</u>	<u>100</u>
<u>Mineral fuels and oils</u>	<u>13</u>	<u>7</u>	<u>14</u>	<u>7</u>	<u>13</u>	<u>13</u>
Saudi Arabia	4		4		5	
Iraq	-		5		5	
Lebanon	6		1		-	
<u>Machinery, including electrical</u>	<u>16</u>	<u>9</u>	<u>17</u>	<u>9</u>	<u>13</u>	<u>13</u>
United States	4		4		2	
United Kingdom	3		4		4	
West Germany	3		4		3	
<u>Automobiles and other vehicles</u>	<u>10</u>	<u>5</u>	<u>8</u>	<u>4</u>	<u>7</u>	<u>7</u>
United States	3		3		3	
West Germany	3		2		2	
<u>Silk and other products</u>	<u>8</u>	<u>5</u>	<u>7</u>	<u>4</u>	<u>6</u>	<u>6</u>
Italy	2		2		1	
France	2		2		2	
<u>Precious metals</u>	<u>7</u>	<u>4</u>	<u>11</u>	<u>6</u>	<u>10</u>	<u>10</u>
United Kingdom	4		4		3	
Union of South Africa	-		4		-	
Lebanon	-		-		6	
<u>Iron and steel products</u>	<u>7</u>	<u>4</u>	<u>8</u>	<u>4</u>	<u>6</u>	<u>6</u>
France	3		3		1	
Belgium	1		2		1	

\$US 1 = LS 3.57

Sources: Ministry of National Economy, Directorate of Statistics, Statistical Abstract of Syria, 1955, Damascus, 1956; ~~Summa~~ Approved For Release 2003/10/01 : CIA-RDP79T01049A001500190002-3

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Table 11
(Continued)

(Million US \$)

Exports	1954		1955		Jan-Sep 1956	
	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total
<u>Total Trade</u>	<u>130</u>	<u>100</u>	<u>133</u>	<u>100</u>	<u>97</u>	<u>100</u>
Raw cotton	25	27	66	49	25	26
France	19		27		11	
United Kingdom	6		8		2	
Italy	3		10		3	
Wool	6	5	9	7	7	7
United States	5		5		4	
Lebanon	1		2		2	
Livestock	6	5	8	6	6	6
Lebanon	6		8		5	
Cotton seeds	2	1	4	3	2	2
Lebanon	1		2		1	
United Kingdom	-		1		-	
Wheat	20	15	3	2	21	21
Lebanon	8		0.3		8	
United Kingdom	1		-		-	
Barley	24	18	2	1	14	14
Belgium	7		0.3		3	
Denmark	4		-		1	
Lebanon	1		0.3		1	

\$US 1 = £S 3.57

Source: Ministry of National Economy, Directorate of Statistics, Statistical Abstract of Syria 1955, Damascus, 1956; Summary of Foreign Trade, First Nine Months of 1956, Damascus 1957.

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Table 12

Syrian Trade with the Sino Soviet Bloc

1954, 1955, 1956 (9 months)

	<u>Total Trade</u>	<u>Total Bloc</u>	<u>Percent of Total</u>	<u>Czechoslovakia</u>	<u>Other Satellites</u>	<u>USSR</u>	<u>China</u>
<u>1954</u>							
Imports	176,067	4,777	2.7	1,692	2,744	116	225
Exports	129,374	1,112	0.8	5	130	-	977
Total	305,441	5,889	1.9	1,697	2,874	116	1,202
<u>1955</u>							
Imports	188,024	5,512	2.9	2,400	2,774	185	153
Exports	131,539	1,625	1.2	1,280	180	-	165
Total	319,563	7,037	2.2	3,680	2,954	185	318
<u>Jan-Sep 1955</u>							
Imports	92,439	2,402	2.6	1,127	1,107	97	71
Exports	84,512	1,266	1.5	951	151	-	164
Total	176,951	3,668	2.1	2,078	1,258	97	235
<u>Jan-Sep 1956</u>							
Imports	98,179	3,132	3.2	1,201	1,873	81	128
Exports	96,702	4,478	4.6	3,149	1,253	-	76
Total	194,881	7,610	3.9	4,350	3,126	81	204

Source: Ministry of National Economy, Directorate of Statistics, Statistical Abstract of Syria 1955, Damascus, 1956
 Ministry of National Economy, Directorate of Statistics, Summary of Foreign Trade, First nine months 1956, Damascus, 1957

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APPENDIX BSino-Soviet Bloc Participation in the Damascus
International Trade Fairs

1954-1956

Major Commodities Displayed

<u>Country</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
USSR	Tractors Agricultural machinery Machine tools Textile machinery Electrical equipment Automobiles Textile fabrics Petroleum products Timber products Construction and road-building machinery	No exhibit	Oil-refining equipment Ores Chemicals Agricultural equipment Irrigation equipment Sugar refineries Grain elevators Food-processing plants Diesel engines Road-building equipment Textile products Machine tools
Communist China	Machine tools Medical equipment Foodstuffs Engines Textile machinery Electrical equipment Rubber products Bearings Bicycles Sewing machines	Pumping equipment Electrical equipment Construction machinery Diesel engines Mining equipment Machine tools Foodstuffs Pharmaceuticals	Machine tools Printing machinery Textile machinery Electrical equipment Iron and Steel products Radios Bicycles Textile products Pumping equipment Tea Agricultural products
Czechoslovakia	Diesel engines Tractors Pumping equipment Motorcycles	Diesel engines Mining equipment Construction equipment	Tractors Glassware Textile machinery Furniture

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APPENDIX B ContinuedMajor Commodities Displayed

<u>Country</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Czechoslovakia (Continued)	Jewelry Furniture Hunting equip- ment Machine tools	Tractors Trucks Motorcycles Machine tools Electrical equip- ment Sporting equip- ment Automobiles Pumping equip- ment Jewelry Glassware	Motors Trucks and buses Diesel pumps Motorcycles Precision instruments Printing machinery Shoe machinery Musical instruments
Hungary	Wood-working equipment Textiles Freight-loading equipment Buses Electrical equip- ment Tractors Housewares Railroad equip- ment Machine tools	Electrical machinery Machine tools Communications equipment Textiles Sporting goods Pharmaceuticals Motorcycles Trucks Construction machinery	Motorcycles Machine tools Precision instruments Textile machinery Electrical equipment Motion picture equipment Textile products Diesel engines Various consumer goods
Bulgaria	Lumber products Agricultural machinery Industrial machinery	No exhibit	Agricultural machinery Lumber products Ores Agricultural products Machine tools Textile products

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APPENDIX B Continued

Major Commodities Displayed

<u>Country</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
East Germany	No pavilion but exhibited IFA automobiles and delivery wagons	Agricultural machinery Automobiles Electrical machinery Machine tools Chemicals Various consumer goods	Food-processing machinery Pumping equipment Glassware Jewelry Optical equipment Cement-mixing machines
Poland	No exhibit	Machine tools Automobiles Agricultural machinery Motorcycles Irrigation and pumping equipment Mining equipment Textile fabrics Precision instruments Steel products Medical equipment Household utensils Sporting goods	Trucks Canned foods
Rumania	No exhibit	No exhibit	Cement Glassware Agricultural products Mining equipment Machine tools Wood products Building materials Chemicals Pharmaceuticals Housewares

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APPENDIX B Continued

Major Commodities Displayed

<u>Country</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Albania	No exhibit	No exhibit	Textile products Mineral products Building materials Beverages, tobacco Leather products Oil products

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Appendix C

Syrian Trade Agreements with the Sino-Soviet Bloc

<u>Bloc Country</u>	<u>Period Covered</u>	<u>Value</u>	<u>Commodities Exchanged</u>	<u>Payments Arrangements</u>	<u>Other Important Clauses</u>	<u>Remarks</u>
Albania	Sep 1956-Sep 1957	N. A.	Syrian agricultural products for Albanian coal and asphalt			First agreement
Bulgaria	June 1956-June 1957	N. A.	Syrian agricultural products for Bulgarian industrial raw materials and industrial products		Most-favored-nation treatment Establishment of permanent delegations	First agreement
Communist China	Nov 1955-Nov 1956	N. A.	Syria exports-cotton, tobacco, wool, cereal, oil seeds, silk and rayon textiles. China exports-machinery, textiles, antimony, liquors, wines, chemicals	\$ 250,000 swing limit	Most-favored-nation treatment. Establishment of permanent agencies Automatic renewal	First agreement
East Germany	Nov 1955-Nov 1956	N. A.	Syria exports-cotton, grain, oil seeds, oils, dried fruit, tobacco, wool. East Germany exports-machinery and transport equipment, medical equipment, metal and chemical products, photographic equipment	All payments in Syrian pounds through a special account. £S 1.5 million swing	Most-favored-nation treatment Establishment of permanent agencies Automatic renewal	First agreement

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Appendix C
(Continued)

<u>Host Country</u>	<u>Period Covered</u>	<u>Value</u>	<u>Commodities Exchanged</u>	<u>Payments Arrangements</u>	<u>Other Important Clauses</u>	<u>Remarks</u>
Czechoslovakia	Mar 1953- Mar 1954	N. A.	Syria exports-hides, cotton, fiber, agricultural products. Czechoslovakia exports-industrial and agricultural equipment, electrical equipment	Payments as provided in private contracts; countries authorize transfer of currencies		First agreement
	Mar 1954- Mar 1955	N. A.				
	Mar 1955- Mar 1956	N. A.			Automatic renewal	
Hungary	May 1956- May 1957	N. A.	Syrian exports-cotton, wool, grain, olive oil, leather. Hungarian exports-heavy industrial goods, electrical equipment, chemical products			First agreement
Poland	Oct 1955- Oct 1956	\$10 million (est.)	Syrian exports-cotton, fruits, grain, textiles, wool. Polish exports-machinery, metal goods, steel products, autos, textiles, cement, chemicals	Clearing account in US dollars in both banks; \$750,000 swing limit; excess payable in dollars on demand; balance at expiration	Most-favored-nation treatment Automatic renewal	First agreement

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Appendix C
(Continued)

<u>Block Country</u>	<u>Period Covered</u>	<u>Value</u>	<u>Commodities Exchanged</u>	<u>Payments Arrangements</u>	<u>Other Important Clauses</u>	<u>Remarks</u>
Rumania	Jan-Dec 1956	N. A.	Syrian exports-cotton, seed oil, tobacco, hides. Rumanian exports-timber, paper, machinery, chemicals, petroleum products.	\$300,000 swing limit	Most-favored-nation treatment Establishment of permanent delegations	First agreement
USSR	Nov 1955- Nov 1956	N. A.	Syrian exports-cotton, tobacco, oil seeds, wool. USSR exports-industrial products, agricultural machinery, vehicles	LS 300,000 swing limit; imbalance settlement in goods within six months of termination	Most-favored-nation treatment Automatic renewal	First agreement

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Appendix D

Syrian Agents Offering Sino-Soviet Bloc Commodities

Agents for Czechoslovakian Commodities

Damascus

Shukri Aswad
(Aleppo)

Attar, Mansour & Co.
Yahya, Ayish & Co.
Abdallah Chahine
Izzat Diarbakirli
Al-Fallah Agricultural Machinery Co.
Khalik Fattal & Sons
Ghandour & Habbal
(Aleppo, Hama, Latakia)
Antoine & George Channage

Ahmed Harastani
Khoury & Co.
(Aleppo)
Naccache Bros.

Elie Nafash & Co.
Zaki Mahfouz Nashid

Lambros Papasrandes
Rafleh Shaghuri & Co.
Yassin Tabbas
Mahjoub & Lababidi
Joseph Rayyal
Iahham Freres
Malass et Kanafani
Naggash Freres
Sawwaf Freres
Maison Ara et Cie
(Aleppo)
Adel Mondia Co.

Leather equipment
Bicycles
Machine tools
Auto equipment
Telephone equipment
Motorcycles and bicycles
Musical instruments
Furniture
Water pumps
Furniture, textiles
Skoda and Tatra vehicles

Machine tools
Agricultural machinery
Pumping equipment
Medical equipment
Leather goods
Sporting equipment
Glassware, porcelain fixtures
Chinaware
Artificial flowers
Jewelry, glassware
Radio receiving sets
Electric motors, flour mills
Canned foods, beer
Buttons
Bicycles, motorcycles
Tire pumps and accessories
Sewing machines
Bathroom fixtures
Chinaware, bathroom fixtures
Textiles
Photographic equipment

Sewing machines

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Appendix D
(Continued)

Zaccache Bros.
Bayhum, Ajami, Kitabi et Cie
(Aleppo)

Building materials
Machinery, motors

Tawfig Sanadiki
Eastern Economic Development Corp.

Skoda automobiles
Textile machinery

Aleppo

Ara and Co.

Photographic equipment
Precision instruments
Electrical equipment
Motorcycles, bicycles
Printing equipment

Zahid R. Elian
Nuri Hneidi & Co.
Kategraph Co.

Hama

Hafez, Hashweh & Dirghan

Refrigerators, heavy road
construction equipment,
washing machines.
Motorcycles and bicycles

Termanini & Zihrawi
(Homs)

Deir-es-Zor

Abd al-Baqi Jawd & Bros.

Refrigerators, heavy road
construction equipment,
washing machines
Motorcycles, bicycles

Awwad Madad

Hassatcheh

Antoun Naim
Hamdi Ulaiwi & Son

Motorcycles, bicycles
Refrigerators, washing
machines, heavy road con-
struction equipment

Homs

Rislan & Shahin

Refrigerators, washing
machines, heavy road building
equipment.

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Appendix D
(Cont'd)

Latakia

Muhammad Said Shreiqi

Motorcycles, bicycles

Qamishli

Bustani Bros.

Tractors, refrigerators
Road construction equipment
Agricultural equipment

Agents for East German Commodities

Damascus

Toufik Sanadiki
Sawwaj Freres
Khalil Fattal et Fils
Marcel Karah
Hisham Hasan Jaffan
Majid Kuzbari
Maison Marawi
Emar Fawzi al-Wafai
(Aleppo)
Finan Masali
Nazih Tarabayn
Photo Dérzi
Arts et Musique
Shafiq Nabas
Abd-al-Karim Naji al-Masarani
Nicola and Musa Debai

Photographic equipment
Rugs, kitchenware
Optical equipment
Textiles
Watches, calculating machines
Typewriters
Adding machines
Dental equipment

Rubber products
Printing equipment
Motion picture equipment
Musical instruments
Textile machinery
Motorcycles
Drugs

Aleppo

Hinkieh Freres
Eliau et Rabbath

Foodstuffs
Writing equipment

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Appendix D
(Continued)

Commercial Agents for Hungarian Commodities

Damascus

Khalil Fattal & Sons

J. Suwayd

Saklatex

Arab Trading and Engineering Company

Sayjal-Din Tabbakh

Sawwah & Co.

George & Antoun Ahannage

Hasan Maher Hamwieh

Khouri, Saouneh & Co.

Pharmaceuticals

Furniture

Textile products

Rubber products

Hardware

Medical instruments

Buses

Medical equipment

Precision instruments

Motorcycles

Bicycles, motion picture
equipment

Machine tools

Radios

Sewing machines, kitchenware,
electrical equipment

Representatives for Hungarotex - textile products

Eastern Trading and Agency Co.

Baghadi & Accad

Haffar & Mallas

Jallad Muhammad Hani

Bitar Co.

Mulbaki Co.

Suscar Co.

Representatives for Agrimex - agricultural products

Eastern Trading and Agency Co.

Bashir & Mustafa Nar

Elia Rabbat

Representatives for Technoimpex - industrial equipment

Avedis Milletbachian

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Appendix D
(Continued)

Commercial Agents for Bulgarian Commodities

Nicolas Matuq -- Damascus Wood products

Commercial Agents for Polish Commodities

Maayaa, Khatar & Co. Flour mills

Commercial Agents for Rumanian Commodities

Kalai Bros. -- Damascus Various industrial and agri-
cultural machinery

Commercial Agents for USSR Commodities

George Uwayshig Automobiles

General

Syrian Oil Refining and Distributing
Company Petroleum products
Nazih al-Hakim (El-Safeer Agency) Coordinating Bloc advertising

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APPENDIX E

Sino-Soviet Bloc Economic Assistance to Syria, 1955. 56

(Contracts and Offers)

(Million \$U.S.)

<u>Bloc Country</u>	<u>Project</u>	<u>Details</u>	<u>Contract</u>	<u>Offer</u>
Czechoslovakia	Sugar refinery including distillery, power plant and other auxiliary units. 189/	U	1.7	
	China factory 190/	U	.2	
	Cement plants 191/	Two; estimated cost at 2.24 each	4.5	
	Engineering survey 192/	Hama cement plant (\$3,000)		
	Airport 193/	Damascus International Airport		10.0
	Railroad 194/	Latakia-Aleppo-Jezirah		U

10.0

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APPENDIX E

(Million \$U.S.)

<u>Bloc Country</u>	<u>Project</u>	<u>Details</u>	<u>Contract</u>	<u>Offer</u>
East Germany	Cement plant 196/	Homs; 200 tons daily capacity	U	
	Cement plant 197/	Aleppo; 600 tons daily capacity, price c.i.f. Beirut; delivery completed within 15 months	1.3	
	Weaving mill 198/	U	.1	
	Textile factory 199/	U	.5	
	Machinery for a textile factory 200/	Delivery during 1956	.3	
	Cotton spinning mill 201/	Aleppo; 3,800 spindles	.5	
	Shoe factory 202/	Output of 500 pairs daily	.1	
	Cotton-spinning mill 203/	U		U
	Hydroelectric plant 204/	Hama		.1
	Aluminum plant 205/	U		U
	Munitions plant 206/	Manufacture of 20 mm shells and grenade casings		U
	Railroad 207/	Latakia-Aleppo	2.8	.1

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APPENDIX E Continued

		(Million \$U.S.)		
<u>Bloc Country</u>	<u>Project</u>	<u>Details</u>	<u>Contract</u>	<u>Offer</u>
Hungary	Flour mills <u>208/</u>	Aleppo-one 60-ton wheat flour mill		
		Homs-one 90-ton wheat flour mill		
		Homs-one 100-ton wheat flour mill	U	
	Highway <u>209/</u>	Probably Aleppo-Jezirah	—	<u>U</u>
Bulgaria	Grain elevators <u>210/</u>	Northern Syria; principally Latakia; 17 Oct 56; completion in 14 months	1.0	
	Geological survey <u>211/</u>	To be completed in 4 years; employ 40 technicians	1.0	
	Military barracks <u>212/</u>	To be constructed in Latakia	U	
	Military airfield <u>213/</u>	To be constructed at Dumayr	1.4	
	Damascus International Airport <u>214/</u>		3.4	<u>U</u>
	MINIMUM TOTAL		<u>27.7</u>	<u>10.1</u>

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